UNIRITA Inc.
3800 TSE JASDAQ

10-Jul.-15

Important disclosures and disclaimers appear at the end of this document.

FISCO Ltd. Analyst
Ikuo Shibata

Initial consolidation of Beacon Information Technology supported strong sales and profit growth in FY3/15, ROE rose to 13.1%

UNIRITA develops, sells and services package software for the operation of core commercial computer systems for a broad range of industries, primarily finance and manufacturing. On April 1, 2015, BSP merged with its consolidated subsidiary, Beacon Information Technology Inc. (Beacon IT), and changed its name to UNIRITA. The goal of this merger was to improve the company's organization quickly by absorbing the data management capability of Beacon IT and combining the management resources of that company and BSP, allowing UNIRITA to respond rapidly to a changing business environment. BSP had provided operations management services to improve the productivity of customer companies through automation and other measures to increase efficiency. Beacon IT had supplied data management services to directly increase corporate value. As a single company, these units should generate synergy to enter a new growth stage.

In the fiscal year through March 2015, i.e., in FY3/15, the first year for business structure reforms, BSP increased its consolidated net sales by 69.4% YoY to ¥7,120 mn and its operating income by 24.1% to ¥1,465 mn. The initial consolidation of Beacon IT was the main cause of this growth, and both net sales and operating income reached record highs. However, consolidated net sales fell short of the company's initial forecast for two reasons: 1) in preparation for the merger with Beacon IT, BSP built a synergy base early, and 2) the company provided more labor-intensive technical support services to customer companies experiencing labor shortages, which limited its product sales (licenses).

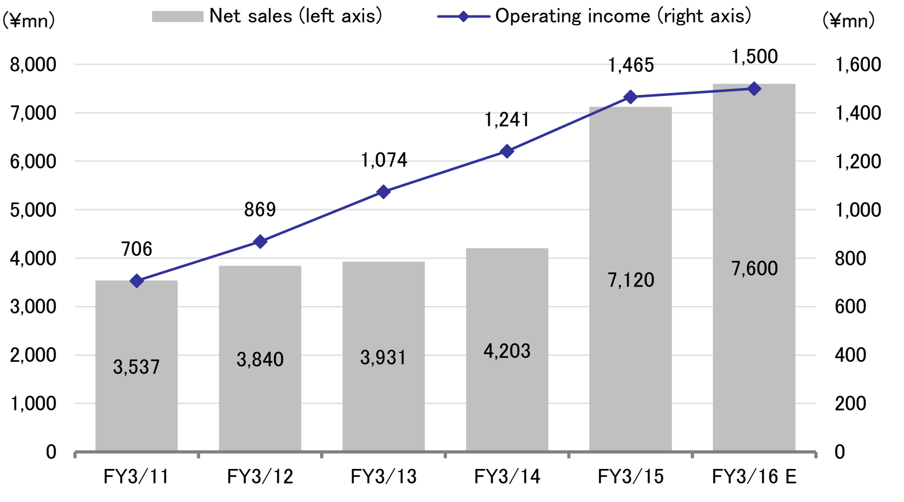
FY3/16 is the first year of the company's second medium-term management plan. UNIRITA has organized its products into three groups: 1) products that lift productivity support business growth as sources of profit, while 2) products that expand markets and 3) original SaaS products are to drive growth through business restructuring. During the second medium-term management plan, the company intends to replace its technologies to concentrate its management resources on growth areas. It also plans to invest heavily in product development. Thus, for FY3/18, the final year of the second medium-term management plan, the company targets consolidated net sales of ¥10,000 mn, for average annual growth of 12.8%, ordinary income of ¥2,400 mn (ordinary income ratio of 24.0%), and an ROE of 14.9%.

For FY3/16, management projects a 6.7% YoY upturn in consolidated net sales to ¥7,600 mn and a 2.3% rise in operating income to ¥1,500 mn. We find these forecasts, particularly the profit forecast, to be readily achievable. Companies aim to increase their investment in information technology to support their future growth. Thus, the company is likely to strengthen its organization to promote business and realize synergy effects, e.g., through cross-selling, from its reorganization. Furthermore, the company will fix the distortion of its sales structure in FY3/15 due to a concentration on technical support services, which limited its sales growth. We anticipate further progress in business restructuring and more positive impacts of synergy.

Check Point

- The company plans to invest profits from the cash cow Mainframe Business in other businesses for growth
- The new medium-term management plan starts, ordinary income targeted by the company for FY3/18 is 50% higher than its FY3/15 ordinary income
- The company is likely to raise its annual dividend each year to maintain a dividend payout ratio of 30%, and it plans to offer other special benefits to shareholders

Consolidated Net Sales and Operating Income, FY3/11-FY3/16E



Business Overview

By merging Beacon IT, the company combined that company's data management services with its own operations management services

UNIRITA develops, sells and services package software for controlling the operation of core commercial computer systems for a diverse range of industries, including the financial and manufacturing industries. It also applies its proprietary know-how to offer peripheral services, such as operational consulting and human resource development, and provides administration services.

Products for mainframe computers, chiefly for financial institutions and large corporations, have been a stable, highly profitable, source of income since the company's establishment. The company achieved steady growth by contributing to the automation and enhanced efficiency of IT systems operation, including job management and report management.

However, to prepare for growth in the medium-to-long term in light of rapid changes in its operating environment, such as the shift to open architecture systems, downsizing, the proliferation of cloud computing, and the use of big data, the company initiated reforms to its business structure. It planned to accelerate growth by developing business areas that directly contribute to raising corporate value, supporting market expansion and improved competitiveness, while continuing its traditional business of automating and otherwise increasing the efficiency of operating IT systems, leading to greater productivity.

As part of its business structure reforms, on April 1, 2015, BSP merged with its consolidated subsidiary, Beacon IT, and changed its name to UNIRITA. The goals of this merger were to combine the operations management capability of BSP and the data management capability of Beacon IT, to realize synergies that would help it respond to a changing operational environment, and to expedite business development.

UNIRITA operates three main businesses, the Data Utilization Business, the Systems Operations Business, and the Mainframe Business, and Other Businesses, with the Mainframe Business contributing most of its operating income.

a) Data Utilization Business

This business was acquired through the consolidation of Beacon IT in January 2014 and is poised to become a core business going forward. It develops and sells software for data utilization, including for increasing data processing speeds and strengthening operating functions, and offers consulting services in relation to data utilization.

b) Systems Operations Business

The Systems Operation Business combines the Product Division, the Solutions Division, and the BPO Operations Group.

The Product Division handles open architecture products to manage the operation of core commercial computer systems. It develops, sells and supports proprietary software to automate operations, handle reports, and manage IT services, and it handles some software products made by other companies. Royalties on product usage rights (license fees) and maintenance service fees that are a fixed ratio of the product cost form the sources of income. In March 2013, BSP commenced the cloud computing service Be.Cloud, for which demand is growing.

The Solutions Division provides solution services, including systems development consulting and human resource development, for IT services. It offers a membership-based "Sys-Doc" service, through which it provides expert advice on IT systems operation via periodic client visits, and it extends solution services, such as corporate value analysis, organizational reform, and human resource development, using the ASMO method for structuring operational units that contribute to management.

The BPO Operations Group is an administrative service launched in October 2013 based on the "operationless" concept of IT divisions contributing to corporate value creation, which was introduced by BSP. Specifically, it proposes ways to improve the operation of IT systems and supports system development, systems migration, project management, and the structuring of service desks.

c) Mainframe Business

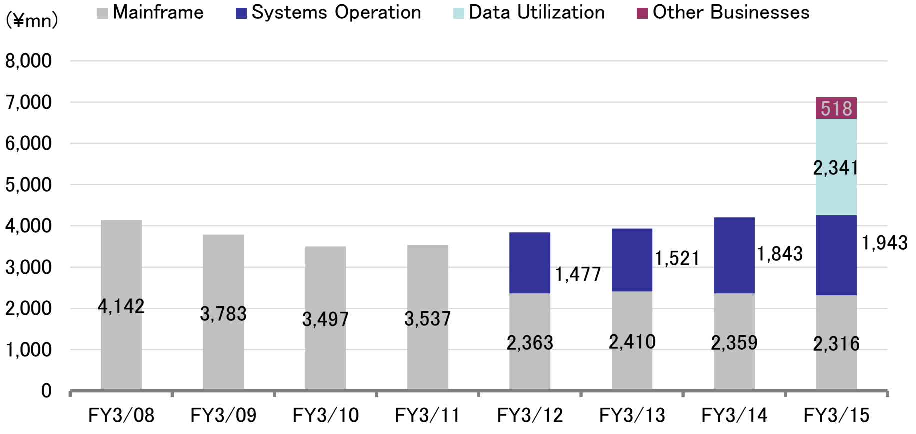
The Mainframe Business, part of the broader business of managing the operation of core commercial computer systems, handles proprietary software for mainframe computers, primarily for financial institutions and large corporations. From the year following the sale of a mainframe product, the company receives a maintenance service fee from users, calculated as a fixed ratio of the product cost. This has been the company's flagship business since its establishment and is a stable source of income.

d) Other Businesses

These are businesses acquired through the consolidation of the Beacon IT group. They comprise the businesses of the Beacon IT group other than the Data Utilization Business, including business continuity plan development, administration and maintenance support, as well as a SaaS product for HR outsourcing management. These other businesses are conducted by consolidated group subsidiaries, including Aspex and Bitis, Inc.

As of March 31, 2015, more than 800 companies had installed the company's products. Most of these were large corporations. The range of customer industries was wide, but the manufacturing, retail and distribution, and finance and insurance industries accounted for high percentages of total aggregate sales.

Sales by Segment, FY3/08-FY3/15



Note: The Mainframe and System Operation businesses were segregated from FY3/12

The company sells most of its products directly, but some of its report management products are also sold by partner companies.

As of March 31, 2015, the company had six consolidated subsidiaries, including BSP Solutions Incorporated, which operates the Solutions Division, now part of the Systems Operations Business; BSP (Shanghai), Inc., which is the base for sales in China; Beacon IT and three subsidiaries of Beacon IT, including Data Research Institute, Aspex, , and Bitis, Inc.

Corporate Characteristics

Investing profits from the cash cow Mainframe Business in other businesses for growth

UNIRITA's corporate philosophy is "Using IT flexibly, we aim to contribute to the development of society and the creation of a better future."

UNIRITA has the following three distinguishing traits.

a) An independent developer of proprietary software
UNIRITA's products enable smooth system operation regardless of the scale of a computer, its manufacturer, or other such factors. Competing products do not allow the replacement of hardware, so they are a hindrance to a company's flexible development of a computer system. Proposals by the company are valuable to customers because they concentrate on how much the company can contribute to the automation or efficiency improvement of operating IT systems. The company's long experience and knowhow in these endeavors are reflected in the detail and advanced performance of its goods and services and in the precision of its proposals. Other software developers often rely on agencies to implement their systems, but UNIRITA sells its products directly, chiefly to financial institutions and large corporations, and installs them. Furthermore, its products are often adopted as replacements during system updates. These factors testify to the high quality of the company's offerings. The company has been hired to operate the SysAdmin's Group, the largest network of system managers in Japan, with more than 14,000 members and 139 endorsing companies. This demonstrates that UNIRITA is a driving force in this field.

b) Stable income from the Mainframe Business being invested in new growth areas
The Mainframe Business yielded an astoundingly high segment profit margin of 78.5% in FY3/15, and the segment's stable income has supported the company's growth. We believe this profitability is made possible not only by customer confidence in the company's products and services, but also by high customer switching costs (the costs of replacing systems). Although we are concerned about the gradual decline of sales in the Mainframe Business, we foresee continued high profits from the business, enabling the company to invest the profits in new growth areas, such as cloud computing services and data utilization. This is a significant advantage.

c) A structure that can support both expansive and defensive aspects of customers' businesses
The current business structure reforms will not only contribute to the automation and enhanced efficiency of IT systems operation, but also allow the company to expand into the business of assisting customers to reallocate management resources, such as staff and budget, to create more corporate value. The company's new business structure should allow it to support both the expansive and defensive aspects of customer businesses. Thus, the company will be able to offer total proposals to improve the IT investment performance of its customers and solidify its superiority in the software industry.

Business trends

Sales and profits grew strongly in FY3/15, and the ROE rose to 13.1%

In FY3/15, consolidated net sales increased 69.4% YoY to ¥7,120 mn, operating income rose 24.1% to ¥1,465 mn, ordinary income grew 26.9% to ¥1,575 mn, and net income climbed 27.6% to ¥1,020 mn. Net sales were 5.1% lower than the company had forecast at the start of the fiscal year, but operating income was 6.2% higher.

The addition of the Data Utilization Business and Other Businesses with the consolidation of Beacon IT contributed significantly to increased sales. Sales in the Systems Operations Business grew only slightly because the business undertook more labor-intensive technical support services, while sales in the Mainframe Business continued to decline as the market for this business contracted. The main reason for net sales falling below the company's initial forecast is that product sales in both the Data Utilization Business and the Systems Operations Business were lower than planned. Although sales in the Mainframe Business declined, the decline appears to have been smaller than the company had expected, due to an increase in product sales, reflecting temporary demand.

The ratio of the cost of goods sold to sales rose to 22.8% in FY3/15 from 12.2% in FY3/14, for two reasons: 1) the sales weighting of labor-intensive technical support services increased YoY in both the Data Utilization Business and the System Operation Business; and, 2) with the addition of the Data Utilization Business, the fees paid to license products made by other companies grew. In addition, the company bore additional costs for restructuring its businesses. Therefore, its operating income margin decreased to 20.6% in FY3/15 from 28.1% in FY3/14. Nonetheless, operating income surpassed the company's forecast because product sales grew in the Mainframe Business, boosting profits in the business.

Looking at the balance sheet, total assets expanded 4.5% YoY to ¥11,926 mn at the end of FY3/15, while net assets grew 9.2% to ¥9,337 mn, and the equity ratio rose to 69.2% from 64.5% at the end of FY3/14. With the accumulation of funds, the balance of cash and deposits increased 5.4% YoY to ¥5,927 mn at the end of FY3/15. The company's ROE climbed to 13.1% at the end of FY3/15 from 11.1% a year earlier. Overall, the company maintained a healthy financial condition.

Operating results by segment were as follows.

The Data Utilization Business acquired with the consolidation of Beacon IT reported sales of ¥2,341 mn and segment operating income of ¥14 mn for FY3/15. It did not divulge its results in FY3/14. Of its sales, ¥383 mn came from product sales, ¥874 mn from the provision of technical support services, and ¥1,084 mn from maintenance fees. Product sales were lower than the business had expected because it provided more labor-intensive technical support services than planned to customers short of staff, so it lacked people to sell products. Furthermore, in preparation for the merger of Beacon IT and BSP, the business gave priority to improving its profitability or market appeal than to sales growth. For example, it abolished some products made by other companies and amended the terms for licensing other such products.

In the System Operation Business, net sales increased 5.4% YoY in FY3/15 to ¥1,943 mn, but the business suffered a segment loss of ¥447 mn, slightly smaller than the segment loss of ¥465 mn recorded in FY3/14. Product sales fell 28.9% to ¥370 mn, while revenue from technical support services jumped 33.5% to ¥949 mn, and maintenance fees edged up 2.0% to ¥623 mn. Revenue from technical support services was larger than projected, for the same reason that it was larger in the Data Utilization Business, and its growth apparently had the same negative impact on product sales and segment profits.

■Business trends

In the Mainframe Business, net sales dipped 1.8% YoY to ¥2,316 mn in FY3/15, but segment operating income grew significantly by 7.2% to ¥1,819 mn. The sales decline reflected an ongoing shrinkage of the market for mainframe services as open architecture systems proliferate and companies invest in smaller computers. However, the sales decline in this business was smaller than it had expected because it received orders from financial services companies and insurance companies to increase and improve their mainframe computer systems to handle business continuity plans and from credit card companies to renovate their systems. Segment profit exceeded business expectations.

Other Businesses added with the consolidation of Beacon IT recorded net sales of ¥518 mn and segment operating income of ¥78 mn (no YoY comparison was disclosed). Demand for personnel outsourcing expanded, prompting an increase in sales of products to improve administration at companies dispatching personnel on a contract basis. Furthermore, the number of customer inquiries about software security tools to prevent the leakage of information increased. Consolidated subsidiaries Aspex and Bitis, which operate these businesses, achieved notable sales and profit growth.

Business Trends

(Unit: ¥mn)

	FY3/14		FY3/15		Nominal change YoY		FY3/15 Company forecasts		Result/ forecast
		% of sales		% of sales		% change YoY		% of sales	
Net sales	4,203		7,120		2,917	69.4%	7,500		94.9%
Data Utilization Business	-	-	2,341	32.9%	2,341	-	-	-	-
Systems Operation Business	1,843	43.8%	1,943	27.3%	100	5.4%	-	-	-
Mainframe Business	2,359	56.1%	2,316	32.5%	-43	-1.8%	-	-	-
Other Businesses	-	-	518	7.3%	518	-	-	-	-
COGS	513	12.2%	1,625	22.8%	1,112	216.8%	-	-	-
SG&A	2,509	59.7%	4,028	56.6%	1,519	60.5%	-	-	-
Operating income	1,181	28.1%	1,465	20.6%	284	24.0%	1,380	18.4%	106.2%
Data Utilization Business	-	-	14	0.6%	14	-	-	-	-
Systems Operation Business	-465	-0	-447	-23.0%	18	-	-	-	-
Mainframe Business	1,697	72%	1,819	78.5%	122	7.2%	-	-	-
Other Businesses	-51	-	78	15.1%	129	-	-	-	-
Ordinary income	1,241	29.5%	1,575	22.1%	334	26.9%	1,460	19.5%	107.9%
Net income	799	19.0%	1,020	14.3%	221	27.7%	890	11.9%	114.6%

Data Utilization Business						
Products	-		383		-	-
Technical support	-		874		-	-
Maintenance fees	-		1,084		-	-
Systems Operation Business						
Products	521		370		-150	-28.9%
Technical support	711		949		238	33.5%
Maintenance fees	610		623		12	2.0%
Mainframe Business						
Products	531		571		40	7.6%
Technical support	69		47		-22	-32.0%
Maintenance fees	1,758		1,697		-61	-3.5%

Total assets	11,412		11,926		514	4.5%
Net assets	8,551		9,337		786	9.2%
Equity ratio	64.5%		69.2%		4.7%	-
ROE	11.1%		13.1%		2.0%	-

Second Medium-term Management Plan

Starting in FY3/16, the new plan targets ordinary profit growth of 50%

The company has promulgated its second medium-term management plan, which begins in FY3/16. Companies are shifting their demands on their IT departments, requiring them to contribute directly to raising their corporate values. To respond effectively to this shift, UNIRITA intends to implement several changes over the next three years. It will invest aggressively in new growth fields and assign more personnel to these businesses. It will replace obsolete technology with new technology, nurture young businesses through in-house incubation, and use M&A. Through these measures, the company aims to increase its consolidated net sales by 12.8% per year, on average, to ¥10,000 mn, and its ordinary income ratio by 24.0% per year, on average, to ¥2,400 mn. It also targets an ROE of 14.9% for FY3/18.

As its Mainframe Business is likely to continue to shrink, the company plans to promote the sale of products for use on open architectures to lead its growth. It also intends to increase the sales weight of new and growth businesses from 20% in FY3/15 to 48% in FY3/18.

To achieve the goals set in its new medium-term management plan, the company will implement the following growth strategies

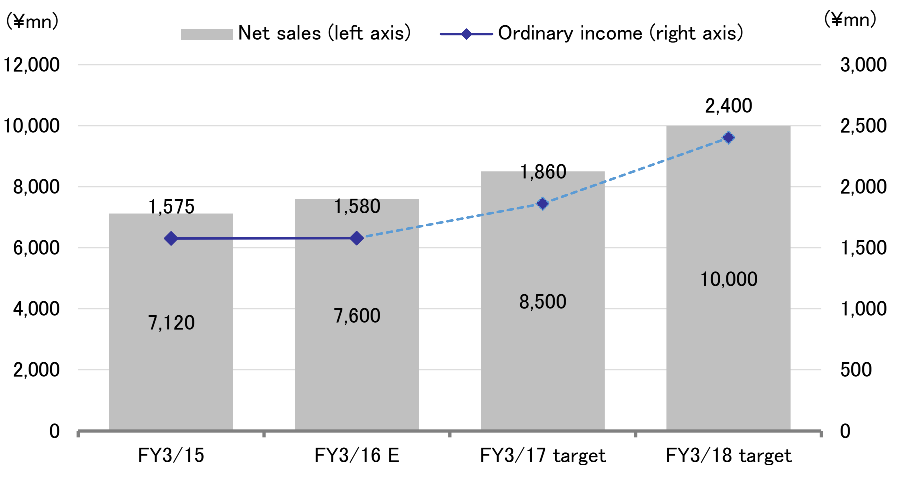
a) Strengthen product development
UNIRITA has organized its products into three groups: 1) products that lift productivity and support business growth as sources of profit, while the new businesses of 2) products that expand markets and 3) original SaaS products, which are to drive growth through business restructuring. It will segregate its strategic investment in new businesses, growth businesses, maintenance businesses, and businesses in decline. Over the next three years, the company plans to invest 5-10% of its sales in the development of new products. Most of this investment will be for the new businesses of proprietary SaaS products and business applications and for the growth businesses of cloud computing, big data, business process management, mobile communication services, and social network services. The company foresees growth of from 10% to more than 50% for both new businesses and growth businesses over the next three years. The company will invest less in the maintenance businesses of automation, report management, and IT service management, for which it projects growth of 0-5%, and in the shrinking Mainframe Business and business in products made by other companies, for which it forecasts contraction of up to 5%.

b) Renew IT technology
By updating its IT technology, the company should be able to energize its employees and take measures to expand the scope of proposals it can present. Specifically, each year, the company intends to train 20-25% of its technicians to handle new technologies, such as social network services, mobile communication services, big data analytics, cloud computing, networking, and security software, and transfer these personnel to new and growth businesses. Thus, by FY3/18, the company aims to have 60% of its technicians placed in new or growth businesses, up from 18% at the end of FY3/15.

c) Strategy for subsidiaries
UNIRITA believes that small organizations can respond to a changing operational environment and satisfy customer needs faster than larger organizations, and thereby grow faster. Therefore, it intends to start new businesses internally, develop its subsidiaries, train its personnel, and engage in M&A aggressively.

Although the company remains dependent on its Mainframe Business for most of its profits, we applaud it for planning to restructure its businesses over the next 3-5 years. We think that the company should rapidly build a new profit model while its Mainframe Business remains lucrative. Although the Japanese market for mainframe business is shrinking, the company's strength in this business should enable the business to generate enough profits to support overall profit growth for a few years. Hereafter, it will be important for the company to grow faster than the overall market for software development. To achieve that growth, the company will have to strengthen its new and growth business areas. We believe that it will be vital for the company to expedite the integration of its new organization and the training and reassignment of its staff so that it can develop new products for its new and growth businesses and realize synergy effects between these businesses and its established businesses. A key to success is likely to be how the company uses its ample funds on hand to promote growth. We anticipate that management will be able to build a framework (empowerment, incentives, mindsets, etc.) to increase the speed and accuracy of business restructuring, as shown in its strategy for subsidiaries, including effective M&A.

Second Medium-term Management Plan



Company forecasts for FY3/16

Following the merger, building a strong business base is the top priority for FY3/16

For FY3/16, the first year of the new medium-term management plan, the company projects a 6.7% YoY rise in consolidated net sales to ¥7,600 mn, a 2.3% increase in operating income to ¥1,500 mn, a 0.3% upturn in ordinary income to ¥1,580 mn, and a 25.4% improvement in net income to ¥1,280 mn.

The company does not divulge a breakdown of its sales and profit forecasts by business, but it foresees sales growth for all businesses except the Mainframe Business and modest overall sales growth for the first year of its new medium-term management plan. Reflecting planned investment in new businesses and cost increases stemming from the integration of company systems and personnel departments, and from costs such as that for advertising the company's name change, management projects a decline in the company's operating income margin to 19.7% in FY3/16 from 20.6% in FY3/15.

We find the company's FY3/16 forecasts, especially its profit forecasts, quite attainable. Companies are investing more in IT to support future growth, while UNIRITA is buttressing its business structure and achieving synergy effects, such as cross-selling to current customers, following its reorganization. Furthermore, the company has remedied the increase in technical support services that impaired its sales growth in FY3/15. We look for the continued emergence of synergy effects and progress in business restructuring.

Company forecasts for FY3/16

(Unit: ¥mn)

	FY3/15 Results	% of sales	FY3/16 Company forecasts	% of sales	Nominal change YoY	% change YoY
Net sales	7,120		7,600		480	6.7%
Data Utilization Business	2,341	32.9%	-	-	-	-
Systems Operation Business	1,943	27.3%	-	-	-	-
Mainframe Business	2,316	32.5%	-	-	-	-
Other Businesses	518	7.3%	-	-	-	-
COGS	1,625	22.8%	-	-	-	-
SG&A	4,028	56.6%	-	-	-	-
Operating income	1,465	20.6%	1,500	19.7%	35	2.3%
Data Utilization Business	14	0.2%	-	-	-	-
Systems Operation Business	-447	-6.3%	-	-	-	-
Mainframe Business	1,819	25.5%	-	-	-	-
Other Businesses	78	0.1%	-	-	-	-
Ordinary income	1,575	22.1%	1,580	20.8%	5	0.3%
Net income	1,020	14.3%	1,280	16.8%	260	25.4%

Corporate history and business performance

Pioneered software for mainframe computer systems, and in 2014, the company reorganized

(1) Corporate History

The company was established as Three B, Inc. in 1982 in Tokyo's Chuo Ward as a subsidiary of Business Consultant, Inc., a provider of programs for HR and organizational development. Business Consultant was the origin of Software AG of Far East, which changed its name to Beacon IT in August 1996. Software AG of Far East had been selling A-Auto software for automating the scheduling of complicated computer systems jobs and enhancing the efficiency of IT systems administration in Japan, and it set up Three B, Inc. to sell this software in the U.S.

In 1987, Three B, Inc. changed its name to BSP. The turning point for BSP was when it took over the systems management operations from Software AG of Far East in 1993 and commenced full-scale operations as a specialist in systems administration software. After that, it strengthened its business base while benefiting from increased investment in IT systems in Japan and built a track record chiefly in software for mainframe computer systems, mainly for financial institutions and large corporations.

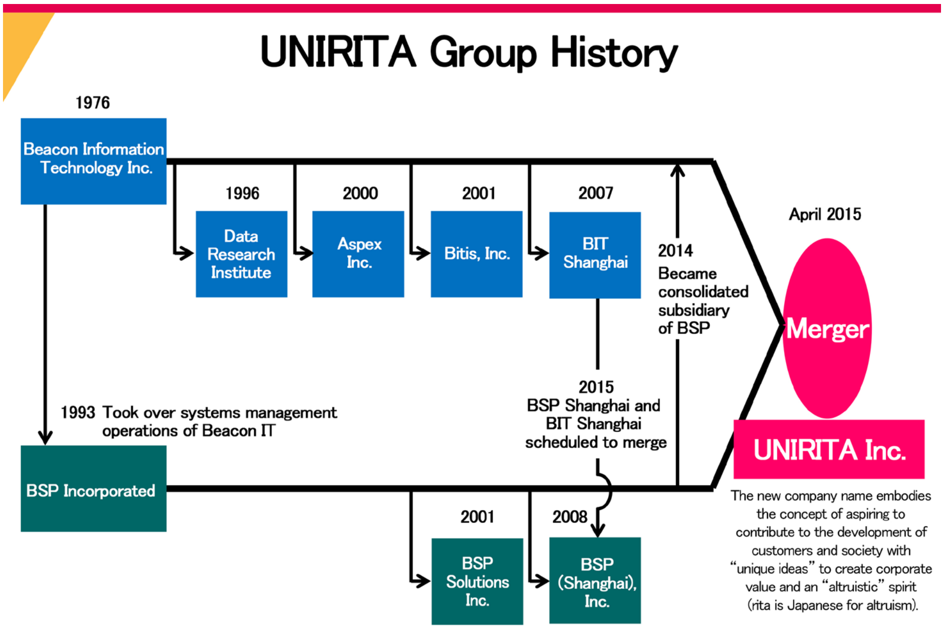
In 2001, the company established BSP Solutions Inc. and commenced full-scale consulting solutions operations. In 2006, it listed its shares on the JASDAQ Securities Exchange, currently TSE JASDAQ.

In 2008, the company expanded into China by establishing BSP Shanghai. In 2013, based on the "operationless" concept, it commenced the Be.Cloud cloud service and administrative BPO Operations Service.

By consolidating Beacon IT in January 2014, BSP incorporated growth areas such as data utilization and began reforming its business structure.

In May 2014, BSP entered into a business alliance with Software AG, Inc. for handling products in the big data and business process management areas, thereby paving the way for operational expansion into the big data field.

With the merger of Beacon IT on April 1, 2015, the company changed its name to UNIRITA Incorporated. The new company name embodies the concept of aspiring to contribute to the development of customers and society with "unique ideas" to create corporate value and an "altruistic" spirit (rita is the Japanese word for altruism).



Source: Company materials

As dependence on software for mainframe computers has eased, ROE has risen

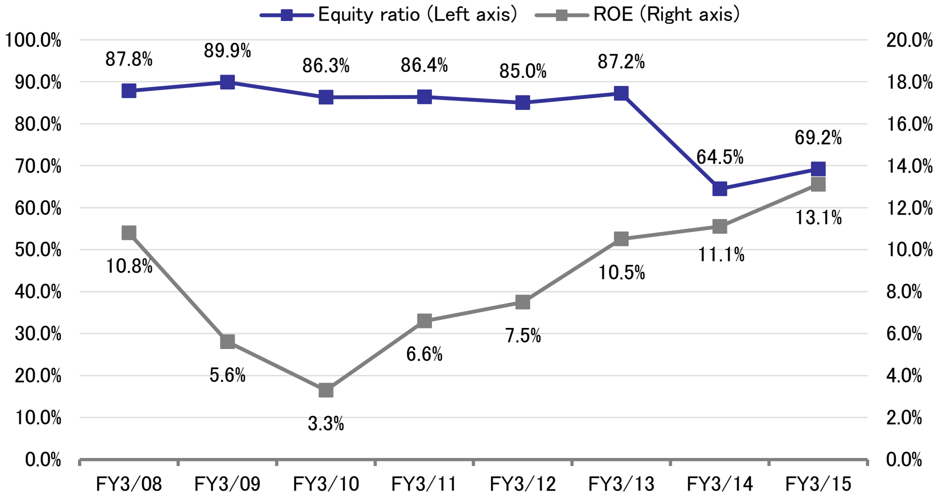
(2) Past business performance

The company's sales declined YoY from FY3/09 to FY3/10 due to the impact of the collapse of Lehman Brothers and other factors, but from FY3/12 onward, during a shift to open architecture systems, its sales have grown YoY, led by sales growth in the Product Division, which is now part of the Systems Operations Business. Accompanying the initial consolidation of Beacon IT in FY3/15, the company's business scope expanded significantly.

Despite a high degree of reliance on the mainframe business for profit, the company's operating income margin trended upward with improving profitability in the Product Division and reached 28.1% in FY3/14. However, this margin fell YoY in FY3/15 because the company increased its expenditures to cope with its business restructuring and undertook more, labor-intensive technical support services.

UNIRITA appears to have an extremely conservative financial strategy. Its equity ratio, which is an indicator of financial stability, fell YoY in FY3/14 due to the consolidation of Beacon IT, but it remains high, at 69.2% at the end of FY3/15. Its current ratio, an indicator of its ability to meet short-term payments, is also high, at 450.9% at the end of FY3/15, reflecting its ample balance of cash and cash equivalents. When the company must invest in new growth areas, its financial strength is likely to underpin its growth. ROE, a measure of capital efficiency, has improved in lock step with the rise in the company's profit margins, reaching 13.1% at the end of FY3/15.

Equity Ratio & ROE Trend



Industry Environment

A large market share in software for mainframe computers enables the company to receive survivor benefits

According to a survey by IDC Japan, the software market in Japan grew 8.0% YoY in 2013 to about ¥2,446.9 bn, spurred by the demand stemming from the demise of Windows XP. Japan's market for software to manage systems and networks, the type of software developed by UNIRITA, grew 6.7% YoY to about ¥309.6 bn. The main reasons that Japan's market for software to manage systems and networks is growing include the revision of operation processes to accommodate system upgrades and virtualization, and a growing market for job management and automation software. The company expects these trends to persist over the near term. However, the operating environment of the industry is changing due to advances in IT technology, such as a shift from the conventional mainframe focus to open architecture systems and an increase in the use of cloud services.

The main developers of software in Japan are vendors affiliated with large Japanese computer makers, such as Hitachi, Ltd. [6501], Fujitsu Ltd. [6702], and NEC Corporation [6701], and vendors affiliated with foreign computer makers, such as IBM Corporation and Hewlett-Packard Company. However, UNIRITA holds a large share of the Japanese market for software for mainframe computers and is arguably positioned to receive survivor benefits. Furthermore, there is no other listed software vendor specializing in IT systems operation in Japan. That is, there is no other listed company producing its own package software.

FISCO

UNIRITA Inc.
3800 TSE JASDAQ

10-Jul.-15

Recently, Japanese companies have tended to invest in IT areas that directly contribute to business expansion, and IT utilization now focuses on such fields as big data, cloud computing, and security.

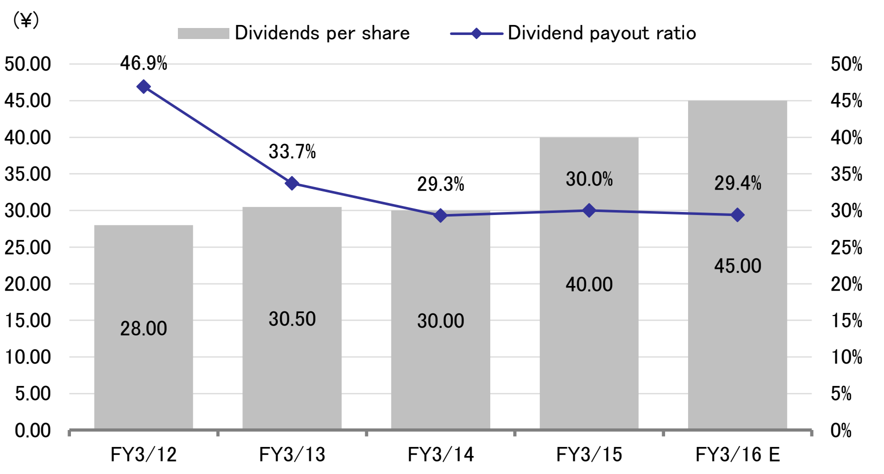
Shareholder returns

Maintaining a dividend payout ratio of 30% and shareholder incentives

UNIRITA's shareholder return policy aims for a 30% consolidated dividend payout ratio. The company paid an interim dividend of ¥17.5 and a year-end dividend of ¥22.5 per share for FY3/15, which both included a ¥5 dividend to commemorate its merger. Thus, for all of FY3/15, it paid a dividend of ¥40 per share, which was ¥10 per share more than the dividend paid for FY3/14, after adjusting for a two-for-one share split made on January 1, 2015 to improve share liquidity. The dividend payout ratio for FY3/15 was therefore 30%. For FY3/16, the company plans to increase its full-year dividend to ¥45, with an interim dividend of ¥25, including another ¥5 to commemorate its merger, and a year-end dividend of ¥20. Based on the company's EPS forecast for FY3/16, the planned dividend would yield a dividend payout ratio of 29.4%. Over the medium term, the company is likely to increase its dividend as earnings grow.

On May 8, 2014, BSP introduced a shareholder incentive scheme, targeting an increase in the number of its individual shareholders and enhanced liquidity. Under this scheme, all shareholders as of March 31 each year will be presented with JCB gift cards corresponding to the number of shares they hold. The first group of recipients was shareholders as of March 31, 2015.

Dividends per Share and Dividend Payout Ratio



Disclaimer